

STATE OF SOUTH CAROLINA

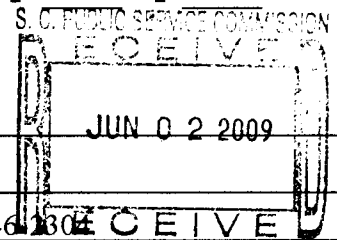
(Caption of Case)

Lisa Lochbaum - Complainant / Petitioner
V
Utilities Services of South Carolina - Defendant /
Respondent

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET NUMBER: 2009 39 W



(Please type or print)

Submitted by: Lisa Lochbaum

SC Bar Number:

Address: 221 Dutchman Shores Cir

Telephone: 803-546-1304

Chapin, SC 29036

Fax:

Other:

Email: llochbaum@sc.rr.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other: Direct Testimony

INDUSTRY (Check one)

- ☐ Electric
☐ Electric/Gas
☐ Electric/Telecommunications
☐ Electric/Water
☐ Electric/Water/Telecom.
☐ Electric/Water/Sewer
☐ Gas
☐ Railroad
☐ Sewer
☐ Telecommunications
☐ Transportation
☐ Water
☐ Water/Sewer
☐ Administrative Matter
☐ Other: _____

NATURE OF ACTION (Check all that apply)

- | | | |
|--|--|--|
| <input type="checkbox"/> Affidavit | <input type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Discovery | <input checked="" type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

Print Form

Reset Form

D. Peck postmark
OK

Direct Testimony of Lisa Lochbaum
In Re: Lisa Lochbaum, Complainant / Petitioner V Utilities
Services of South Carolina, Defendant / Respondent
Docket No. 2009-39-W

My name is Lisa Lochbaum. I own a home and live at 221 Dutchman Shores Cir, Chapin, SC 29036. My residence is located in the Dutchman Shores subdivision. I am a consumer of Utilities Services of South Carolina (USSC) for water. USSC purchases water for distribution in my subdivision from the City of Columbia.

I am dissatisfied with USSC and have filed complaints through the SC Office of Regulatory Staff (Staff) and the SC Public Service Commission (PSC) to seek relief for my complaints. In this document I will provide my direct testimony relating to these complaints in Docket No. 2009-39-W.

Pass-through Mechanism

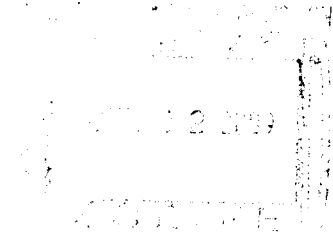
I do not believe that the pass-through billing mechanism is being employed in a manner consistent with the intentions of, nor with orders of, the PSC. USSC's current tariffs do not itemize and define supply charges for purchased water. Instead, in Order No. 2006-22, Exhibit E, of Exhibit 1, a Settlement Agreement was "incorporated into and made part of" the order. This settlement agreement included testimony by Dawn Hipp. Dawn Hipp, with Office of Regulatory Staff, included Exhibit DMH-8 with her settlement agreement testimony in Docket No. 2005-217-WS, which demonstrates the effect of the pass through on USSC consumers. Please, see the following excerpt from Ms. Hipp's testimony below taken from <http://dms.psc.sc.gov/pdf/matters/E67F4AA4-EBBE-89FA-9E28A3D1CCF80B09.pdf> page on the Commission's docketing website.

Q. WHAT WOULD BE THE COST IMPACT OF THE PASS-THROUGH ON CUSTOMERS IN THESE PORTIONS OF THE USSC'S WATER SERVICE AREA?

A. The cost impact would vary depending upon the area in which a customer is located as Exhibit DMH-8 reflects. The variance arises from the fact that USSC currently receives bulk water service from eight different bulk water providers which have differing bulk rates and charges. At the request of ORS, USSC has agreed to provide additional notice to the customers in the eighteen subdivisions where the pass-through would apply.

Q. WHAT IS THE ONE MODIFICATION TO USSC'S PROPOSED PASS-THROUGH PROVISION THAT ORS PROPOSES BE ADOPTED?

A. ORS proposes that USSC's right to pass-through bulk charges in amounts above and beyond those reflected in Exhibit DMH-8 be conditioned upon USSC's compliance with the procedure established by the Commission for Kiawah Island Utility, Inc. in Order Numbers 2002-285 and 2002-517 in Docket Number 2001-164. Under that procedure, USSC will be required to give the Commission thirty days notice of its intent to increase the amount of pass-through rates beyond those which may be approved in this proceeding and to provide the Commission with justification for any such increase. In the event that the amount of increase in the pass-through rate is approved by the Commission, USSC will then be required to give customers an additional thirty days notice before the increase in the pass-through amount may be put into effect. ORS believes that this modification is in the public interest for several reasons. First, it fairly addresses the unique



Also, please see the information below taken from the above referenced Exhibit DMH-8 at the same web address.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line	Sub	Name	Bulk Supplier	Average Monthly Consumption	Effective Bulk Rate per 1,000 Gallons	Average Monthly Pass-Through Amount	Total Proposed Monthly Average Water Bill
111	119	Parkwood	City of West Columbia	1,000	7.40	12.00	95.58
121	119A	Vanadium	City of West Columbia	8,000	7.40	10.72	48.13
131	112	Rainbow Acres	City of Columbia	8,500	6.85	18.14	48.94
141	112A	Duffman Road	City of Columbia	8,200	6.85	18.01	43.50
151	112B	Pearson Rd	Lancaster County Water & Sewer	1,000	7.80	14.00	42.29
161	112C	Rocky Hill	City of Rock Hill	1,000	7.75	11.12	44.17
171	113	Calhoun Street	North York Water District	4,500	1.41	7.20	54.54
181	113B	Jackson Creek	Hammond Water	2,400	2.51	12.50	41.51
191	113C	Hill and Dale	Hammond Water	4,000	2.51	11.50	39.00
201	113D	Lakeview	Hammond Water	1,500	2.61	10.00	49.15
211	113E	Edgebrook	Hammond Water	1,400	2.35	9.30	22.18
221	113F	Oakwood Estates	Hammond Water	5,800	2.49	11.41	42.87
231	113G	Greenwood Acres	Hammond Water	5,700	2.49	11.27	67.61
241	113H	Bethesda	West Columbia Water District	4,000	2.09	14.21	41.11
251	113I	Cherokee	West Anderson Water District	1,400	1.90	10.95	41.19
261	113J	Greenforest	West Anderson Water District	1,100	1.90	11.14	12.14
271	113K	Modest Lake	West Anderson Water District	1,200	1.90	10.20	38.41
281	113L	Sturtevant	West Anderson Water District	5,800	1.90	20.50	60.14

Calculation Note

- (1) Information contained in column (1) was developed using the effective rates of the eight affected bulk suppliers. Effective rates can contain the water rate, a commodity charge, and a pass-through fee.
- (2) The charge for basic facility and commonly required by these providers should be charged to USSC's affected customers in a similar manner as will not make up.
- (3) Information contained in column (3) was calculated using the proposed rates from USSC's Application.

You can see that in my subdivision, Dutchman Shores, USSC claimed that we were supposed to only see a supply charge of \$2.89 per 1000 gallons after the implementation of the pass through mechanism. (Yet my invoices have consistently shown charges much higher than that. I have attached these invoices as Exhibit A, and they show that supply charges have fluctuated to as much as over \$5 per thousand gallons!) All of this testimony was included with the Settlement Agreement which the Commission adopted in its order 2006-22. This order also mandates that USSC provide 30 days notice to the

Commission and 30 days notice to consumers for any price increases in the passed through charges. The required notice has never happened. These charges are called "Supply" charges on consumer invoices. My supply charges have fluctuated consistently and remain higher than the actual charges that USSC is being billed by City of Columbia. I have requested through Staff, as well as through my complaints and responses in Docket No. 2009-39-W that USSC provide evidence that it is passing through charges without markup and USSC has failed to provide any such documentation. USSC provided a spreadsheet to the ORS, and in turn with me, accounting for water loss and I used this spreadsheet, along with City of Columbia billing to audit the overall pass through charges to Dutchman Shores subdivision. These spreadsheets are attached as Exhibit B. You can see that USSC is collecting more than it is being billed by City of Columbia for supplied water. Moreover, USSC has consistently brushed aside opportunities to defend these numbers throughout this Docket No. 2009-39-W.

It is my belief that the PSC has jurisdiction to reverse the pass through mechanism, or alternatively, to establish fair and published tariffs for distribution only water consumers of USSC. I ask the PSC for relief in this regard.

Water Pressure

At my insistence, and the filing of the action in Docket No. 2009-39-W, USSC seems to have remedied the water pressure issue. Water pressure is now 50 PSI, instead of the roughly 150 PSI it was when I brought this action. My water consumption now seems to be within normal limits for a 3 person home.

Reimbursement

I feel that USSC should share in the responsibility for my extremely high water consumption and rates for May 2008 through current and offer some reimbursement for unusually high water bills. It is not fair that USSC allowed me to consume outrageous amounts of water, not bill the consumer for months at a time, and bill at an unpublished, unusually high rate. I had no time to investigate or manage high consumption after receiving my Sept 22, 2008 invoice for consumption during May through July, and I learned that I was to receive another large bill right after that for consumption through September.

Additionally I am asking that the pass through mechanism be reversed or changed to reflect a published, reasonable rate for water supply. I am asking that the PSC ruling be retroactive through the pass through mechanism inception. This should naturally incur a credit for me as well as many other distribution-only USSC customers.

Timely Billing

Timely billing remains an issue. Billing is consistently months and months behind. Please see Exhibit A for evidence of this. I understand that USSC has had challenges following its billing system conversion, however this has gone on way longer than a reasonable conversion period. This billing delay puts consumers in a bad situation with

undetected leaks and USSC, as well as all utilities, are required to provide timely billing for consumers.

Reporting

See attached Exhibit B which is a spreadsheet that USSC provided to Staff reporting water loss. USSC reports an average water loss of 6.59%. I have several concerns relating to the validity of this report:

- This total includes 4 months with negative water loss, 2 of which are excessively negative. During the 2 months with excessively negative water loss, September and October 2008, Dutchman Shores residents were actually billed the highest supply charges per 1000 gallons that we have seen (\$4.72 per 1000 and \$5.01 per 1000 respectively). USSC did not provide copies of City of Columbia billing for these 2 months, but simple math demonstrates that something is way off with the water loss versus the supply charge billed to consumers. Staff asserts that our supply charge is calculated by dividing the City of Columbia bill by gallons consumed in individual meters, so our supply charge per 1000 gallons should be a fraction of what was actually billed by City of Columbia during these months. City of Columbia bills and a summary spreadsheet are attached as Exhibit I.
- All other documentation requested of USSC by Staff was provided by USSC from September 2007 through August 2008. It appears as though USSC added two additional months of reporting on the water loss report to defray the appearance of extreme water loss. I added an additional calculation below the USSC tallies on this report to demonstrate that water loss was actually 13.23% during the year in question. Adding the two additional months makes it appear as though USSC is attempting to hide water loss, and it also adds questions about extremely negative water loss.
- System flushing is reported as accounted water, but I question how system flushing could be exactly 40,000 gallons each time. It would seem logical that the master meter is read, then flushing occurs, then master would be read again to record exact consumption. USSC has asserted that their operators have years of experience and somehow know how much they are flushing. This is absurd and flushed water should be metered. USSC may be more interested in conserving and accurately reporting if it is longer allowed to pass through these charges without Commission oversight.
- A 76,091 gallon adjustment is reported for March 2008. USSC explained to Staff that this adjustment was for a leak at 103 Harding St. in Dutchman Shores and a misread meter at 132 Harding St. The resident at 103 Harding St. reports that she has never seen a credit for this water leak. We are not sure how a non-credited leak and misread meter can be counted in accounted water lost. None of this water was lost. In the case of 103 Harding St. the water was paid for and in the case of 132 Harding St the next month's meter read should have naturally caught this reading up.

I ask that the Commission order USSC to justify the numbers reported by them on water loss and reimburse Dutchman Shores residents for over-charging in pass-through supply

charge. This may be taken care of dependant on the Commission ruling other requests in this action.

Scrutinize Cost Basis

USSC is owned by Utilities, Inc. Utilities, Inc owns five water companies in SC, and many more besides. All five SC water companies are served out of the same office located at 110 Queen Parkway, West Columbia, SC. The same agents answer calls for all five companies and we suspect that common employees share other cross-company functions as well. Additionally, all billing is sent from corporate headquarters in IL, so I suspect that other cross-company functions are sourced from the corporate headquarters as well. In light of these companies being so closely intertwined we wonder if USSC used a more than appropriate portion of employee labor costs for justification in the USSC rate cases. My speculation was further promulgated by the fact that USSC asked for another distribution rate increase in the 2007-286-WS docket. There is absolutely no reason why USSC should have incurred higher costs to provide meter reading, billing, customer service agents, and collection to us. USSC does not supply water to us distribution-only customers and, in fact, passes 100% of its variable supply costs through to us currently. I would like to be provided detailed financials outlining the allocation of costs incurred in distribution-only service to us and Utilities, Inc other water companies.

USSC asserts that it is not capturing 100% shared employee labor and infrastructure costs in each of its South Carolina utilities rate cases. USSC also asserts that it does not retain records of how the costs within USSC were allocated for ratemaking purposes for distribution only consumers versus full service water and/or sewer customers. This is absurd and highly unlikely. USSC has failed to provide any documentation justifying distribution-only customer distribution charges. I believe the PSC should order USSC to justify the distribution-only rate or alternatively the PSC could impute a fair distribution rate if USSC does not choose to furnish evidence supporting its distribution rate. Additionally, now and in future ratemaking, I would ask that the ORS and Commission check to establish that cross-company, and cross-customer type costs are scrutinized for appropriate rate-making.

Conclusion

This concludes my testimony.

Lisa Lochbaum
May 31, 2009

Duke, Daphne

From: Lisa M Lochbaum [lisa.lochbaum@pb.com]
Sent: Tuesday, June 02, 2009 8:32 PM
To: Duke, Daphne
Subject: Proof of Service - Direct Testimony - 2009-39-W

Hi Daphne,

Below is a screen scrape of the shipping info I used to serve my Direct Testimony on all parties of record in Docket No. 2009-39-W. Please, let me know if I can assist further. Thanks!

[Print Shipping Labels](#)[FAQs](#)[Address Book](#)[Shipping History](#)[3 Labels](#)[My Account](#)

Shipping History

LISA M LOCHBAUM - Account # 10433354

All Labels View

All Labels for 06/01/2009 to 06/02/2009

[Download Results >>](#) [New Search >>](#)

Shipping history by label number for labels with postage.

To sort by column, click on the names of the column headers.

<u>Date</u>	<u>Trans #</u>	<u>Svc</u>	<u>Label #</u>	<u>SCAN Form #</u>	<u>Name</u>	<u>City</u>	<u>State Ctry</u>	<u>Amt</u>
06/01/09	142045552	PRF	0103 8555 7496 8904 0066 1 of 3	n/a	JOHN M.S.	COLUMBIA	SC	\$4.80
06/01/09	142045552	PRF	0103 8555 7497 1001 1584 2 of 3	n/a	HONORABLE	COLUMBIA	SC	\$4.80
06/01/09	142045552	PRF	0103 8555 7496 9952 5829 3 of 3	n/a	JEFFREY M	COLUMBIA	SC	\$4.80
Total (3 Labels):								\$14.40

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